Perspectives Executive Summary

For the 12-month period beginning April 1, 2017

A TRICKY BALANCING ACT

- Despite the enormous number of headlines focused on U.S. President Trump, the global economy continues to improve in the background. As a result, equity markets have been well supported and continued to push higher. Bond yields have stabilized after their sharp rise in late 2016.
- Under our somewhat benign global outlook—we project around 3% global growth over the next 12 months—central banks will be left to manage a difficult balancing act. Following years of aggressive monetary stimulus, the question of scaling back this support may have unintended consequences. This will be a risk to monitor over the coming year.

CIBC Asset Management

Equities versus Fixed Income

- With a continued economic expansion and interest rates facing gradual upward pressure, equities should remain slightly more attractive than bonds.

Loonie and Greenback

- The Bank of Canada is likely to continue with easy monetary policy while the U.S. Federal Reserve raises rates. This widening differential could potentially push the loonie to 0.73 USD over the next 12 months.
- We expect limited and selective U.S. dollar strength while certain emerging market currencies could provide attractive returns.

Regional Markets

- **U.S.**: We remain skeptical about the ability of the new Trump administration to enact meaningful stimulus in 2017, given the existing budget constraints and the complexities of health care and tax reform in general.
- **Europe**: European equities currently offer good potential for catch-up growth at a reasonable price.
- **Emerging Markets**: Emerging Asian equity markets remain attractively valued and our preferred global equity region.
- **Canada**: While we are still constructive on Canadian equities, the risk/reward proposition is no longer as compelling.

Expected Returns

Expected returns for the period beginning April 1, 2017	In Canadian Dollars			In Local Currency		
	U.S. Renormalization	Balancing Act	Global Recession	U.S. Renormalization	Balancing Act	Global Recession
Probabilities	15.0%	65.0%	20.0%	15.0%	65.0%	20.0%
Canada Money Market	0.6%	0.5%	0.3%	0.6%	0.5%	0.3%
Canada Bond	0.1%	2.4%	6.5%	0.1%	2.4%	6.5%
Canada Federal Government Bond	-0.7%	1.5%	6.2%	-0.7%	1.5%	6.2%
Canada Corporate Bond	1.5%	3.1%	3.9%	1.5%	3.1%	3.9%
Canada Real Return Bonds	3.3%	2.0%	7.8%	3.3%	2.0%	7.8%
Canada High-Yield Bond	5.3%	4.3%	-8.0%	5.3%	4.3%	-8.0%
International Government Bond	-7.1%	1.6%	18.2%	-2.8%	-1.6%	5.9%
Canada Equity	15.7%	6.0%	-16.2%	15.7%	6.0%	-16.2%
United States Equity	5.2%	3.6%	-8.7%	10.5%	2.3%	-14.8%
International Equity	13.5%	11.6%	-9.7%	16.2%	8.2%	-16.5%
Emerging Equity	13.9%	10.9%	-20.3%	18.2%	11.5%	-18.4%

Asset Allocation Outlook

Asset Class	Underweight		Neutral	Overweight	
	Significant	Moderate		Moderate	Significant
Equity Relative to Fixed Income			✓		
Fixed Income					
Canadian Money Market	✓				
Canadian Government Bond				✓	
Canadian Corporate Bond				✓	
International Government Bond		✓			
Equity					
Canadian Equity			✓		
U.S. Equity		✓			
International Equity (Developed Markets)				✓	
Emerging Markets				✓	
Currency (versus U.S. Dollar)					
Canadian Dollar		✓			
Euro		✓			
Japanese Yen				✓	
British Pound		✓			
Swiss Franc			✓		
Australian Dollar		✓			
Emerging Markets				✓	

For our complete economic views and forecasts, please request the full *Perspectives* report.